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TAGS: [PREL](#) [PGOV](#) [ENRG](#) [ETRD](#) [IR](#) [IZ](#) [ZR](#) [ZP](#) [UP](#)
SUBJECT: UKRAINE: VISITS HIGHLIGHT POSITIVE AND STABLE MID
EAST RELATIONS

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[1](#)B. 07 KYIV 1727
[1](#)C. 07 KYIV 764

Classified By: Deputy Chief of Mission Jim Pettit for
reasons 1.4(b,d)

[1](#)1. (C) Summary and Comment: Although recent high-level Ukrainian visits to the Middle East seem to suggest a growing GOU interest in the region; when viewed in context, however, the visits are the most recent in a string of Middle East initiatives long on grandiose announcements of increased cooperation and friendship but short on actual concrete results. In general, Ukraine's major political players do not view aggressively pursuing closer Middle East ties as a priority given the limited role Ukraine can play in the Middle East. As President Yushchenko's recent visits to Egypt and Libya suggest, Ukraine's interest in the Middle East is largely economic. The recent visits highlight the desire of Ukraine's political leadership to keep the positive relationship Ukraine has with Middle Eastern countries on an even keel, while avoiding closer ties with Iran and, based on its economic interests, maintaining balanced bilateral ties to Israel, a country visited by President Yushchenko in November 2007 and home to many former Ukrainians who have invested in Ukraine. Yushchenko's visit to Libya raised some eyebrows, however, as Yushchenko was apparently duped into laying a wreath at the Monument to the Victims of the 1986 U.S. bombing. Additionally, Yushchenko and Qadhafi agreed to restart a long dormant energy project (whose purpose and details remain murky) and announced a joint venture to service Mi-8 helicopters in Libya. (Note: MFA Arms Control Director Belashov told us April 16 that state-owned arms exporter Ukrspetsexport and the Ministry of Industrial Policy are very interested in following up on possible business deals with Libya.) End Summary and Comment.

Yushchenko's State Visits to Libya and Egypt

[1](#)2. (U) President Yushchenko made an official visit to Libya on April 7-8, and Egypt on April 9-10, ostensibly focusing on bilateral economic relations. Yushchenko discussed possible extended cooperation with Egypt in satellite control systems and launches to coincide with Egypt taking control of its first remote-sensing satellite (designed and put into space by Ukraine). Yushchenko apparently discussed further economic integration with his Egyptian counterparts but no actual formal trade deal was announced. Likewise, in Libya, with Yushchenko and Qadhafi present, the Foreign Ministers of Ukraine and Libya signed a bilateral cooperation agreement which included provisions for legal assistance in civil and criminal cases; guidelines for extradition, visa-free travel for certain visa classes; and a memorandum of joint

invQin agriculture. The proposal on agriculture envisions Libya growing crops on Qctares of land in Ukraine, an ambitious and highly unrealistic proposal. In fact, no speciQmplementation were announced, leaving most observers to question what exactly this agricultural agreement entails. In addition to the various cooperation agreements, Yushchenko announced Ukraine's intention to create a joint venture with Libya to service Mi-8 helicopters in Libya and to pursue aircraft repair projects in Libya. Alexander Bohomolov, head of the Association of Middle East Studies (and frequent advisor to the GOU on Middle East issues) sees some potential for increased trade with Egypt and Libya, but is skeptical that anything concrete was achieved in either visit.

13. (C) More importantly, Yushchenko announced the restart of a long dormant program (5 years old) for exploration and production of oil and gas fields in Libya. Yushchenko blamed "bureaucrats" for the program's lack of any discernible progress to date. Bohomolov's assessment (he actually took part in the original oil and gas negotiations) is that Ukraine has neither the technology nor the will to profitably develop oil fields in Libya. Bohomolov passed along his belief that any money Naftohaz has spent or is spending on this project is ending up in numbered accounts abroad. Viacheslav Shved, Vice President of the Ukrainian Center for Islamic Studies, a think tank closely connected with MFA and the Presidential Secretariat, agrees with this assessment. (Comment: In the updated deal, Libya has apparently re-granted Ukraine the rights to develop one oil field out of the original four oil fields agreed upon five years ago. Many commentators have expressed the opinion that foreign energy development projects such as these serve as nothing more than a way for Naftohaz to siphon money from public coffers into private accounts. Naftohaz's apparent technical inability to develop this oil field and complete lack of

progress on this endeavor in the last five years lends credence to this theory. From the Libyan side, using Naftohaz to develop gas and oil fields makes little or no business sense leading both Bohomolov and Shved to wonder what the Libyan angle is in reviving this deal. End Comment.)

14. (C) Shved believes Yushchenko advisor Yousef Hares is the main player behind the deal. (Note: Hares is President of the Haras Group whose dealings involve metal production, real estate, and oil production. Hares is Syrian born and apparently has Austrian citizenship. Hares was named a freelance advisor to President Yushchenko on the Middle-East in October, 2007. End Note.) Shved believes that Hares has convinced Yushchenko that the long dormant project is profitable and could possibly open a new source of energy resources to Ukraine. Shved surmises that Hares is rewarding himself handsomely through kickbacks and other dubious financial arrangements. When questioned about the deal specifics, Yushchenko sidestepped, telling skeptical journalists that "(w)hat counts most is that we have received the political go-ahead to revert to the projects that were planned five years ago and have not been implemented." Shved says Yushchenko is only tangentially interested and not directly involved in the Naftohaz project, noting that Yushchenko's first priority for the visit to Libya was to receive Qadhafi's support in naming the Holodomor (Stalin induced 1932-1933 famine) a genocide. (Comment: At first blush, Holodomor recognition may seem like an odd choice for a primary bilateral foreign policy issue. However, President Yushchenko made Holodomor recognition a top issue in his official visit to Israel in November, 2007, and in many other international fora. End Comment.) Apart from speculation on various intrigues, Shved and Bohomolov on balance view the Yushchenko visits as largely fruitless with minimal to no concrete results.

15. (C) Yushchenko committed an embarrassing gaffe when he inadvertently laid a wreath at the Memorial to the Victims of the U.S. 1986 bombing of Tripoli. Ihor Hrushko, Director for the Second Territorial Department at MFA, relayed to the DCM

that Yushchenko had been duped into laying a wreath at the monument. Hrushko noted that the Libyan side had requested a wreath laying at the Memorial, but Ukrainian Presidential Protocol had rejected it. Instead, Yushchenko agreed to lay a wreath on the grave of Qadhafi's father. Apparently, the two sites are within a few feet of one another and Qadhafi guided Yushchenko to the Memorial to the Victims of the U.S. rather than his father's grave. Hrushko explained the inscription was in Arabic, so Yushchenko followed Qadhafi's lead. Yushchenko was then handed a second wreath and guided by Qadhafi to lay it on his father's grave. Only then did the Ukrainian side realize what had occurred. The schedule for Yushchenko's official visit to Libya that MFA provided the DCM does not include any mention of a wreath laying at the Memorial. (Comment: We find this version of events to be credible. Additionally, Shved and Bohomolov both indicated that they felt Yushchenko was almost assuredly duped, with Bohomolov adding that the Libyans are "always doing that kind of stuff.")

Turchynov to Saudi Arabia and Yekhanurov to Algeria

¶16. (U) While President Yushchenko was in Egypt, First Deputy Prime Minister Oleksandr Turchynov visited Saudi Arabia. On April 9, the two countries signed an agreement on mutual protection of investments and have agreed to discuss cooperation in the aerospace, banking, and navigation industries. Turchynov gave high marks to his meeting with the Saudi King, calling it a good open meeting. The only tangible result of Turchynov's visit was the announcement that AvtoKrAZ Holding Company (a heavy vehicle supplier based in Kremenchuk, Poltava Region) and the Abdullatif Alissa Automotive Company signed a distribution agreement, although the specifics of which have yet to be decided. Completing the GOU Middle East blitz, Defense Minister Yuri Yekhanurov visited Algeria and signed a bilateral military cooperation agreement allowing for the exchange of defense attaches and the retooling of Algeria's military equipment, much of which is of former Soviet vintage.

Positive Neutrality - A Rational Approach

¶17. (C) All commentators agree that the Middle East is not an MFA focus. The GOU is happy for the time being maintaining the status quo. Although increased trade and Middle East investment are welcome, the GOU has no

overarching vision as to how to bring this about. Bohomolov notes that Ukraine's embassies in the Middle East provide reporting from the field, but these reports are of marginal value and ignored since relations with the Middle East are a low MFA priority. Shved blames the instability of the Ukrainian political scene as part of the problem -- when Foreign Ministers come and go so quickly, nothing meaningful gets accomplished on issues of secondary importance. Vladimir Saprykin, an energy analyst at the highly respected Razumkov Center think tank, agrees. He says former Foreign Minister Tarasyuk was completely uninterested in the Middle East. He has no indication from his wide range of contacts that any current high level government officials or policy makers are engaged in Middle East issues. Even Mykola Leshchenko, director of MFA's 3rd department (which includes Egypt, Libya, Algeria and the Gulf States but not Iran) tacitly admitted this, agreeing that the Middle East receives very little attention within the MFA. Leshchenko stated the GOU's goal in the Middle East is to maintain a "positive neutrality". All commentators agree that FM Ohryzko will not devote and has not devoted any more than minimal time to Middle East issues and is focused on EU/NATO integration and Russian relations.

¶18. (C) Domestic politics also factor in to Ukraine's Middle East Policy. Politicians of all stripes are reluctant to be seen choosing sides in Middle East conflicts lest they offend the large Muslim Tatar community focused in Crimea; a sizable Jewish community in Ukraine; or the multitude of Jewish

pilgrims who visit various Hasidic sites every year. Leshchenko admits that Ukraine has no political agenda in the Middle East (other than a just peace between Israel and Palestine and overall regional stability). Leshchenko also confirmed Bohomolov's view of Ukraine's embassies in the Middle East. He indicated that the main reason for a substantial Ukrainian diplomatic presence in the Middle East is to handle consular issues, with economic and political issues a distant second priority. Leshchenko says as a practical matter a consular focus is correct. In addition to Ukrainian tourists who visit various Middle Eastern destinations, Leshchenko estimates 300,000-500,000 former or current Ukrainian nationals reside in Israel, and thousands of Ukrainian citizens are in the West Bank, Gaza, and Lebanon who also require consular services.

¶9. (C) Shved and Bohomolov both indicated that they believe Ukraine is in a good position to help the Middle East peace process. They note the historical and social ties with Israel and generally positive relations with Arab states. Ukraine's lack of an obvious political interest in the Middle East lends it a certain credibility according to the experts.

Both note, however, that Ukraine's domestic political situation severely limits any positive role Ukraine could play in the Middle East as major politicians spend the overwhelming majority of their time on domestic politics. While both are critical of the MFA's general neglect of the Middle East, both acknowledge that Ukraine has only a small role to play in the Middle East. Given Ukraine's limited resources, they feel Ukraine could do things around the margins (cultural exchanges, student exchanges, small business initiatives and other such programs) but ultimately admit the focusing on the Middle East is, and should be, a secondary foreign policy priority.

Limited Investment and Trade but Booming Travel

¶10. (C) Apart from Iran, which has been very aggressive in pursuing closer relations, Middle Eastern countries are not pursuing stronger bilateral relations with Ukraine. (Note: Various commentators indicated this is a result of Iran being viewed as a pariah and trying to initiate relations with any country that is cordial rather than Iran having any particular interest in Ukraine. End Note.) Leshchenko noted that the MFA is interested in having Saudi Arabia and UAE establish missions here to help facilitate investment. Saudi Arabia has indicated no desire to establish a mission in Ukraine although the Saudi Monarch apparently expressed "sympathy" to the idea on Turchynov's recent visit. UAE has said that, although they are planning on establishing a mission in Ukraine, they do not have the "technical capacity" to staff an Embassy. Bohomolov pointed out that Ukraine deludes itself into thinking it is attractive to large-scale Middle Eastern investment. Nevertheless, the GOU occasionally will go on trade missions to the Middle East which are politely received. Bohomolov, who has served as an interpreter for various trade missions, notes that the initiatives are always poorly thought out; cannot provide any specifics on how or where to invest; and make no feasible

sales pitch. Bohomolov said these initiatives would not convince anybody with any business sense to invest one dime in Ukraine; noting that he often feels somewhat embarrassed translating these ham-handed proposals to unimpressed and uninterested Middle Eastern businessmen. Although not involved in any of the recent GOU visits to the Middle East, Bohomolov indicated that he has seen no evidence that the four recent visits were anything different. Bohomolov says he hears sporadic reports of Arab investors in the area, but says until Ukraine gets its internal economic house in order, no substantial Middle Eastern money will flow into Ukraine.

¶11. (C) Bohomolov says business relations with the Middle East are alive and well, but strictly commercial. Leshchenko put the total value of trade between Ukraine and Middle Eastern states (excluding Iran which is around \$800 million) at around \$3.1 billion in the last nine months of 2007. Of

that, Ukraine exports make up \$2.9 billion, mainly in metals, fertilizers, industrial chemicals, and food stuffs. Leshchenko puts imports from the Middle East at around \$200 million, which are mostly citrus fruits and similar foodstuffs. Bohomolov agreed with the numbers, but opined that there is little foreseeable area for greater economic integration. According to him, Ukrainian businessmen (including himself) tried during the Kuchma era to capitalize on old Soviet-Arab business relations with virtually all of the Gulf States and Iran. Bohomolov said, except for a few niche firms (travel agencies geared to Russian speakers visiting the Emirates and Egypt), nobody made a go of it. Some larger firms have been successful selling foodstuffs, metals, and chemicals; however, the vast majority of small to mid-sized businesses failed miserably and have little desire to re-enter the Middle Eastern marketplace. Bohomolov blamed the complex way of doing business in Arab countries as baffling to fairly unsophisticated Ukrainian firms. In his opinion, basic commerce is currently the only viable way for Ukrainian firms to conduct business in the Middle East.

¶12. (C) For the average Ukrainian, the Middle East has proven to be a popular tourist destination. Bolstered by Ukraine's proximity to the Middle East, warm weather, and the relative ease of obtaining visas (Egypt is visa free), Ukrainians flock to the Middle East during the cold winter months. As salaries rise and more Ukrainians can afford to travel, tourism to the Middle East will continue to boom. Thousands of Ukrainians visit Sharm-el-Sheikh, other parts of Egypt, Israel, and the UAE each year. Ubiquitous billboards in Metro Stations and along city streets advertise Middle East packages and charters for all budgets (American Embassy employees also frequently take advantage of these offers).

Iranian Gas - Too Good to be True

¶13. (C) Obtaining gas via pipeline through Iran is an issue that does not go away. Shved noted that since independence, the GOU has flirted with the idea of creating pipelines from Iraq (oil) and Iran (gas) linked to Europe through Ukraine. An alternative source of energy would free Ukraine from Russian political blackmail; it would be profitable to Ukraine to collect transport fees; and Ukraine has the infrastructure and know-how to transport Middle Eastern oil and gas to the EU. Former President Kuchma made numerous visits to the Middle East including Libya and Iran but achieved very little by way of actual results. Kuchma's push for greater relations culminated in former Iranian President Khatami's official visit in the fall of 2003. Shved dryly noted that every so often, Ukraine engages in half hearted discussions with Middle Eastern countries about energy supply. Shved says the idea of obtaining gas from Iran is always floating around in the background but is entirely unrealistic. Saprykin agrees with Shved's assessment. Saprykin says economic and technical realities make the idea of diversifying Ukraine's energy supply by using Middle Eastern sources unrealistic.

¶14. (C) Shved and Saprykin say that Ukrainian politicians are initially interested in a gas pipeline to Ukraine from Iran but quickly discard the idea when faced with the actual realities. Shved noted that as Prime Minister both Yanukovych and Yushchenko had studied the issue briefly. Yushchenko went as far as sending Petro Poroshenko (a top Yushchenko aide and advisor) in early 2005 to visit Iran and explore the feasibility of pipeline projects. The Iranian Ambassador to Ukraine, Said Musa Kazemi, lamented in a recent newspaper interview the lack of progress in Ukrainian-Iranian relations in the last few years. Shved and Saprykin agreed saying that since early 2005, Iranian-Ukrainian relations have been effectively dead. Both noted that the Iranians

have been very aggressive in trying to restart talks but none of the major political players in Ukraine are remotely interested. According to Saprykin, all three politicians (Yushchenko, Tymoshenko, Yanukovych) are keenly aware of the major technical issues to overcome. Apart from the technical

problems, Ukraine's political leaders of all stripes see engaging Iran as at least detrimental and potentially suicidal as far as Ukraine's EU or NATO aspirations.

¶15. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
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